

CITY OF SIDNEY, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020

CITY OF SIDNEY, IOWA
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CITY OF SIDNEY, IOWA
OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	(Before January, 2020)	
Paul Hutt	Mayor	January, 2020
Joe Travis	Mayor Pro-Tem	January, 2020
Michael Livingston (Resigned September, 2019)	Council Member	
Anne Travis (Appointed November, 2019)	Council Member	January, 2020
Fabian Bell	Council Member	January, 2022
Patrick Livingston (Resigned October, 2019)	Council Member	
Lou Ann Kyle (Appointed November, 2019)	Council Member	January, 2020
Russ Loewe (Resigned September, 2019)	Council Member	
Kenneth Brown (Appointed November, 2019)	Council Member	January, 2022
Elease Cowles	City Clerk	Indefinite
Clint Fichter	City Attorney	Indefinite
	(After January, 2020)	
Peter Johnson	Mayor	January, 2022
Kenneth Brown	Mayor Pro-Tem	January, 2022
Anne Travis	Council Member	January, 2022
Fabian Bell	Council Member	January, 2022
Lou Ann Kyle	Council Member	January, 2024
Steven Gamber	Council Member	January, 2024
Elease Cowles	City Clerk	Indefinite
Clint Fichter	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Sidney for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Sidney's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

To the Honorable Mayor
and Members of City Council

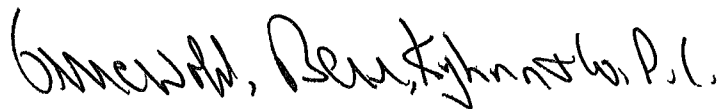
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. We traced transfers between funds to proper authorization and accurate accounting and determined whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

To the Honorable Mayor
and Members of City Council

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Ben Fyhn".

Atlantic, Iowa
February 26, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF SIDNEY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing, and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The following were identified:

- (1) The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, for the two months tested, bank and book balances did not properly reconcile. Variances of \$109,844 and \$68 were not resolved.
- (2) Bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. Also, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) Financial Condition - At June 30, 2020 the City had deficit balances of \$245,182 and \$105 in the General and Emergency funds, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

CITY OF SIDNEY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (D) City Council Meeting Minutes - Chapter 372.13(6) of the Code of Iowa requires the City Council minutes include the total disbursements by fund, a list of all claims allowed, including the reason for the claim, and a summary of all receipts. Published minutes for three of the meetings tested did not include total disbursements by fund or a list of claims allowed.

Recommendation - The City should comply with the Code of Iowa and include the total disbursements by fund and a list of claims allowed, including the reason for the claim, in the minutes, as required.

- (E) Transfers - Although all transfers made in fiscal year 2020 were approved by an official fund transfer resolution, the resolution did not include a clear statement of the reason or purpose for most of the transfers.

Recommendation - The transfer resolutions should include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is being received, and the dollar amount being transferred, in accordance with Iowa Administrative Code Section 545-2.1.

- (F) Separately Maintained Records - The City of Sidney's library maintains separate accounting records for its operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (G) Receipt Posting - For one month tested the receipts on the City's general ledger did not tie to the Clerk's report by \$1,653, and the bank statements by \$844.

Recommendation - The City should review the posting of its receipts to the general ledger on a monthly basis and any variances should be investigated and resolved.

- (H) Monthly Financial Reports - A monthly Clerk's financial report, including receipts, disbursements, transfers, and balances for each fund is prepared but is not presented to the City Council for review. Also, a comparison of actual disbursements to budgeted disbursements by function is not included on the report.

Recommendation - A comparison of budgeted to actual disbursements by function should be added to the monthly Clerk's financial report. The report should be presented to the City Council monthly for review and approval.

CITY OF SIDNEY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (I) Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (J) Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City had a cash balance of \$13,020 in the Special Revenue, Tax Increment Financing Fund (TIF Fund) at June 30, 2020. However, the City had no outstanding TIF obligations at that date. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

The City has not submitted the fiscal year 2020 Urban Renewal Annual Report required by Chapter 384.22 of the Code of Iowa to the Iowa Department of Management.

Recommendation - The City should consult legal counsel to determine the disposition of the excess monies in the TIF Fund. If the City has no further tax increment financing debt, the \$13,020 should be remitted to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa. The City should submit the Urban Renewal Annual Report, as required.

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